

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

DFA5038 – FINANCIAL ACCOUNTING 3

(For Diploma Students Only)

11 OCTOBER 2016

2.30 p.m – 5.30 p.m

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 5 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Axia Supplies Limited uses the perpetual inventory system and had the following purchases and sales during June.

		<u>Purchases</u>		<u>Sales</u>	
		<u>Units</u>	<u>Unit Cost (RM)</u>	<u>Units</u>	<u>Unit Price (RM)</u>
1/6	Beginning inventory	40	70		
6/6	Purchase	80	80		
10/6	Sales			90	120
13/6	Purchase	150	100		
19/6	Sales			100	150
25/6	Purchase	50	110		
29/6	Sales			85	170

Instructions

- Using the inventory and sales data above, prepare a schedule to show cost of goods sold and the value of ending inventory for the month of June 2015 using the:
 - LIFO Method (11.5 Marks)
 - Average Cost Method (7.5 Marks)
- Calculate total sales for month of June. (1 Mark)

[TOTAL 20 MARKS]

QUESTION 2**Part A**

Phillip Corporation's Statement of Financial Position as at 31 December 2014 showed the following:

Short-term investments, at fair value	RM62,500
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Phillip Corporation's trading portfolio of stock investments consisted of the following as at 31 December 2014:

<u>Stock</u>	<u>Number of Shares</u>	<u>Cost (RM)</u>
Alpha Common Stock	400	40,000
Omega Preferred Stock	300	9,000
Beta Common Stock	200	8,000
		<u>57,000</u>

Continued...

During 2015, the following transactions took place:

Feb.	5	Sold 250 shares of Alpha common stock for RM30,000.
Mar.	30	Purchased 40 shares of Beta common stock for RM2,200.
Sept.	9	Purchased 60 shares of Beta common stock for RM4,500.
Oct.	20	Sold 120 shares of Omega Preferred stock for RM2,880.

At year end on 31 December 2015, the fair values per share were:

	<u>Fair Value Per Share (RM)</u>
Alpha Common Stock	125.00
Omega Preferred Stock	28.00
Beta Common Stock	30.00

Instructions

- Prepare the journal entries to record the 2015 stock transactions. (5 Marks)
- Prepare any adjusting entry that might be necessary relative to the trading portfolio as at 31 December 2015. Shows all your calculations. (7 Marks)
- Show how the stock investments will appear on Phillip Corporation's statement of financial position as at 31 December 2015. (1 Marks)

Part B

The following transactions were made by Bistari Jaya Company. Assume all investments are short-term and are readily marketable.

2014

June	2	Purchased 550 shares of Kenari Corporation common stock for RM30 per share.
July	1	Acquired 200, 6%, 8 years Lestari Corporation bonds for RM200,000.
	31	Received a cash dividend of RM2.50 per share from Kenari Corporation.
Sept.	15	Sold 120 shares of Kenari Corporation stock for RM25 per share.
Dec.	31	Received semiannual interest on bond from Lestari Corporation.

2015

Oct	20	Bistari Jaya Company receives net proceeds of RM218,000 on the sale of the Lestari Corporation bonds.
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Instruction

- Prepare all necessary journal entries for the above transactions. (7 Marks)

Continued...

Part C

1. Indicate how debt and stock investments are classified in financial statements. (3 Marks)
2. Briefly explain the use of consolidated financial statements. (2 Marks)

[TOTAL 25 MARKS]**QUESTION 3****Part A**

Kirana Company is liquidated when its ledger shows the following assets, liabilities, and owners' equity accounts.

ASSETS		LIABILITIES AND OWNER'S EQUITY	
	RM		RM
Cash	80,000	Notes payable	180,000
Accounts receivable	120,000	Accounts payable	90,000
Inventory	90,000	Kimal, Capital	200,000
Equipment	480,000	Rania, Capital	150,000
Accumulated depreciation - equipment	(70,000)	Nadia, Capital	80,000
	<u>700,000</u>		<u>700,000</u>

The partners of Kirana Company agree to liquidate the partnership on the following terms:

- i. The partnership will sell its non-cash assets to Bezza Company for RM800,000 cash.
- ii. The partnership will pay its partnership liabilities. The income ratios of the partners are 3: 2: 1 respectively.

Instruction

Prepare all the necessary journal entries for the liquidation of a partnership.

(8.5 Marks)**Part B**

Zali, Nora, and Maria are forming The Zanoma Partnership. Zali is transferring RM55,000 of personal cash, vehicle with book value of RM40,000 and equipment worth RM52,000 to the partnership. Nora owns land worth RM90,000 and a small building worth RM70,000, which she transfers to the partnership. There is a long-term mortgage of RM90,000 on the land and building, which the partnership assumes. Maria transfers cash of RM32,000, accounts receivable of RM66,000, supplies worth RM8,000, and equipment worth RM15,000 to the partnership. The partnership expects to collect RM60,000 of the accounts receivable.

Instruction

Prepare a classified Statement of Financial Position for the partnership after the additional investments by respective partners on 31 December 2015. (7.5 Marks)

Part C

What are the steps that should be taken in the liquidation of a partnership? (4 Marks)

[TOTAL 20 MARKS]

QUESTION 4**Part A**

On 1 January 2016 the ledger of Green View Company contains the following liability accounts.

	RM
Account payable	88,000
Sales taxes payable	26,200
Unearned service revenue	34,800

During January the following selected transactions occurred.

- Jan 1 Borrowed RM65,000 in cash from CIMB Bank on a 4-month, 6%, RM55,000 note
- 5 Sold merchandise for cash totaling RM47,700 which includes 6% sales taxes.
- 12 Provided services for customers who had made advance payments of RM21,000.
- 14 Paid state treasurer's department for sales taxes collected in December 2014, RM26,200.
- 20 Sold 1,200 units of a new product on credit at RM70 per unit plus 6% sales tax. This new product is subject to a 1 year warranty.
- 25 Sold merchandise for cash totaling RM25,440 which includes 6% sales taxes.

Instructions

- (a) Journalize the January transactions. (7.5 Marks)
- (b) Journalize the adjusting entries at 31 January for:
 - i. the outstanding notes payable, and
 - ii. estimated warranty liability assuming warranty costs are expected to equal 5% of sales of the new product. (2 Marks)

Part B

Jujaya Electrical Company prepares its financial statements annually. Below are the selected transactions that occurred the month of December 2015.

1. The company has been named as one of several defendants in a RM150,000 product liability suit. Legal counsel believes the company probably will have to pay the amount requested.
2. 31 December 2015 is falls on Thursday. Previous week's salary for the company's employees which ended on Saturday, 26 December have been paid on Monday, 28 December. Currently the company employs 22 staffs who earn RM88 per day and 18 staffs who earn RM125 per day. All employees work 6 days a week.
3. All employees are entitled to two day's vacation for each month worked. All employees described above in (2.) worked the month of December.

Instruction

Prepare any adjusting entries related to the above transactions for the month of December 2015. (3 Marks)

Part C

Briefly explain what is contingent liability? Give an example of a contingent liability that is usually recorded in the accounts. (2.5 Marks)

[TOTAL 15 MARKS]

QUESTION 5**Part A**

The comparative Statement of Financial Position of Hankyu Jaya Corporation appear below:

HANKYU JAYA CORPORATION		
Comparative Statement of Financial Position		
as at 31 December		
	2015	2014
	(RM)	(RM)
<u>Assets:</u>		
Cash	36,000	23,000
Accounts receivable	25,000	34,000
Merchandise inventory	32,000	15,000
Property, plant, and equipment (net)	<u>29,000</u>	<u>54,000</u>
Total	<u>122,000</u>	<u>126,000</u>

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Liabilities and Stockholders' Equity:

Accounts payable	18,000	23,000
Income taxes payable	9,000	8,000
Bonds payable	8,000	33,000
Common stock	28,000	24,000
Retained earnings	<u>59,000</u>	<u>38,000</u>
Total	<u>122,000</u>	<u>126,000</u>

Instruction

Prepare a horizontal analysis of the Statement of Financial Position data for Hankyu Jaya Corporation using 2014 as a base year. (11 Marks)

Part B

White Horse Corporation has issued common stock only. The company has been successful and has a gross profit rate of 20%. The information shown below was taken from the company's financial statements.

	(RM)
Beginning inventory	482,000
Purchases	4,036,000
Ending inventory	?
Average accounts receivable	800,000
Average common stockholders' equity	3,500,000
Sales (all on credit)	5,000,000
Sales return and allowances	120,000
Net income	385,000
Dividend paid	48,000

Instructions

Compute the following ratios: (Show all your workings)

- (a) Accounts receivable turnover and the average collection period. (2 Marks)
- (b) Inventory turnover and the days in inventory. (4 Marks)
- (c) Return on common stockholders' equity. (1 Mark)
- (d) Profit margin. (1 Mark)
- (e) Payout ratio. (1 Mark)

[TOTAL 20 MARKS]

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